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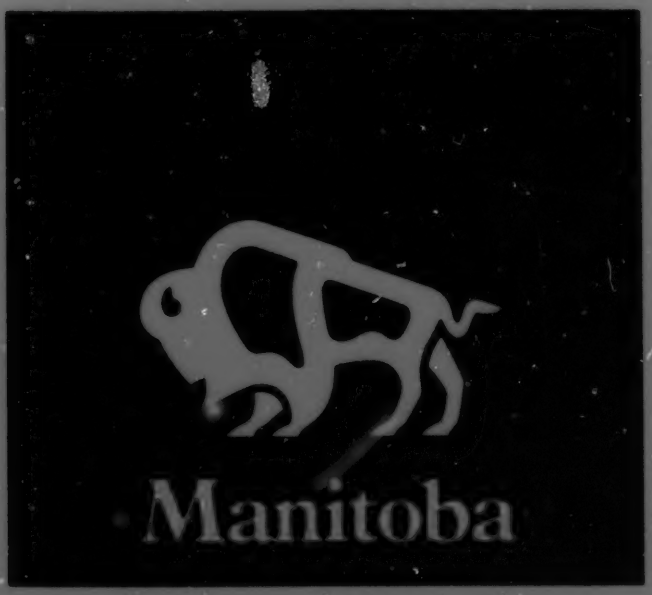

Manitoba's position on:

The State of Federal-Provincial Relations

Hon. Howard Pawley
Premier of Manitoba

Annual Conference of First Ministers
Halifax, Nova Scotia:
November 28-29, 1985

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The November 28-29, 1985 Annual Conference of First Ministers in Halifax, Nova Scotia, is the first to be held under the terms of the Memorandum of Agreement signed by all First Ministers at their last major conference on the economy held in Regina, Saskatchewan, on February 14 and 15.

That Memorandum of Agreement specified that "a conference composed of the Prime Minister of Canada and the First Ministers of the Provinces shall be held at least once a year" and, specifically, that the Annual Conference of First Ministers shall:

> "a) Review the state of federal-provincial relations;
>
> b) Consult on major issues that concern both orders of government, and in particular the state of the economy;
>
> c) Consider broad objectives for governments in Canada;
>
> d) Exchange information to facilitate planning for the operations of their governments."

At the request of the Prime Minister, and in line with clause 2(a) of the Memorandum of Agreement (see above), the provincial Premiers have agreed that the opening agenda item for the Halifax First Ministers' Conference will be "The State of Federal-Provincial Relations."

Background

Soon after taking office some fourteen months ago, the present federal government reaffirmed its view that improved federal-provincial relations were of critical importance to economic renewal in Canada. The federal Throne Speech of November 5, 1984 stated:

> "A priority goal of my Ministers will be to breathe a new spirit into federalism and restore the faith and trust of all Canadians in the effectiveness of our system of government.

A constant process of consultation and cooperation must be restored. My Ministers are regularly meeting their provincial colleagues to eliminate irritants and to improve services to people where the federal and provincial governments have joint responsibilities.

My government's management of federal-provincial relations will pursue three basic objectives: to harmonize policies of our two orders of government, to ensure respect for their jurisdictions, and to end unnecessary and costly duplication.

. . .

The reality of Canada is one of distinct regional identities, each rooted in many generations of history; of diverse cultures; of regional economic strengths: a country of many parts whose people share a profound attachment to one Canada.

My Ministers are determined to achieve a national consensus which will reflect that reality. A national consensus is also needed to reduce the persistent isolation of Canada's regions, to meet the challenges of economic and social disparity, to revitalize the strength of our traditional resource industries, such as agriculture, forestry, mining, the fishery and tourism, and to ensure that our critical transportation and communication links better serve the national purpose."

The Prime Minister elaborated on the federal position in his opening statement to the February First Ministers' Conference on the Economy in Regina. He stated:

"I am deeply convinced that there can be no economic renewal without a regeneration of the federal process in Canada. There can be no national reconciliation without the provinces and the federal government agreeing on common objectives. These objectives cannot be imposed. We would inevitably fail, over the long haul, if any government tried to progress in a hasty, arbitrary or unilateral way.

Yet, we are beginning to hear isolated complaints that the new government is wasting time consulting with the provinces, business, labour and the Canadian people.

> For the new government, seeking consensus among Canadians is not a sign of weakness; it is the real test of strength. In our view, it is not a "waste of time" to take a few months in the life of this country for its constituent governments to consult among themselves and with the Canadian people to establish a broad consensus on where Canada ought to be going. This is what we have been doing. We deeply believe that decisions affecting the future of all Canadians, taken in haste, without due deliberation and on which there could not, therefore, be a national consensus, would not serve the best interests of Canada and Canadians."

In his introductory remarks at the Regina Conference, the Premier of Manitoba emphasized that his government shared the federal government's view that improved federal-provincial relations and a national consensus on key directions for economic policy were essential for job creation and economic renewal in Canada. At the same time, the Premier noted that:

> "A national consensus will only have support -- and will only deserve support -- if it is fair to all regions, to all provinces; if it is fair to individuals, to working men and women, to those who can't find work, to the elderly, to native Canadians, to young people, to farmers, to small business and to others."

Premier Pawley went on to say that the key test of the success or failure of the Regina Conference would be the action that the federal and provincial governments took to follow it up. He added that "For the people of Manitoba, one of the most important tests will be whether our province and our citizens are treated fairly by the Government of Canada in the future."

In the months which followed, a number of other provinces have expressed similar concerns about the need for fairness in the application of federal government policies. The new Premiers of Ontario and Alberta, for example, have made a number of public statements stressing the importance of fair treatment for their provinces from the Government of Canada.

Manitoba's Perspective on Federal-Provincial Relations

Since taking office, the Government of Manitoba has repeatedly emphasized its commitment to improved federal-provincial relations. For example, Manitoba's 1982 Speech from the Throne stated that:

> "My Ministers will stress the principles of cooperative federalism and the need for effective federal-provincial coordination to deal with the difficult changes confronting all Manitobans. My Ministers share Manitoba's traditional support for strong central government.
>
> My government recognizes the vital financial support provided by the federal government. The current Federal-Provincial Fiscal Arrangements have served Canada and all Canadians relatively well.
>
> My Ministers remain hopeful that the new arrangements will provide sufficient funds for the maintaining of high quality health and educational services in all parts of Canada and will reflect a strong, renewed commitment to equalization. Manitoba intends to maintain its commitment to these vital social services."

The 1984 Manitoba Throne Speech also stated:

> "Improved consultation, co-operation and co-ordination among governments are of major importance to the future development not only of Manitoba's economy, but also of the economies of all provinces across Canada.
>
> Our federal system cannot function effectively when the governments of Canada and the provinces consult, on major fiscal and economic problems, only on an irregular basis or under near-crisis conditions. Events in the coming months at the national level will offer an opportunity for a review of federal-provincial relations and, it is to be hoped, for a renewal of the spirit of co-operative federalism."

The importance of federal-provincial cooperation to the citizens and the economy of Manitoba has been emphasized by a succession of administrations in the province. For decades, Manitoba representatives have stressed, consistently, the need for federal economic and fiscal policies which are sensitive to and supportive of the strengths and opportunities offered by our province. For example, Manitoba has been among the provinces which has campaigned most strongly, first to introduce, and then to strengthen and improve the national equalization system. Manitoba played a lead role, as well, in developing the clauses on equalization and regional disparities which became part of the Canadian Constitution a few years ago. Our province is also proud of the fact that some of the key regional development policy principles which were adopted by First Ministers in February of 1985, and which have been articulated since in the joint, thirteen- government Position Paper on Regional Economic Development, were suggested initially by Manitoba.

Traditionally, Manitoba has brought a balanced perspective to federal-provincial conferences, reflecting our heritage and geography as well as the diverse nature of our economy. Manitoba is a western province, and as such has long been concerned with the negative effects of some key national economic policies -- such as transportation and tariff policies -- which have restricted our development prospects and those of our sister provinces in the region. Along with the other western provinces, we have also felt the effects, time and again, of inadequate representation in national decision-making. At the same time, some of our experiences have not paralleled those of the other western provinces. Because our economy is more balanced than those of our sister provinces to the west -- we have relatively larger manufacturing and service sectors, for example -- we have been less subject to the "booms" and "busts" associated with agriculture, oil and forest resources. This meant, of course, that our province did not experience the massive growth enjoyed by some of the other western provinces during the 1970's. Nor did the province experience the dramatic downturns of the early 1980's.

One result of these circumstances is that Manitoba, unlike any of the other western provinces, continues to rely on the national government for about a third of its general revenues through transfer payments, principally for health, post-secondary education and equalization. The provincial economy also relies heavily on a mix of private and public investment to ensure stability and sustained growth. At the February 1985 First Ministers' Conference, Premiers of provinces with economic bases and economic records as different as those of Ontario and Newfoundland joined Manitoba in emphasizing the need for a balanced focus for economic development policy. Those provinces stated that public investment -- by the federal government, the provinces, local governments and various agencies -- must play a critical role alongside private investment.

The importance of a balanced approach to the contributions of both the private and public sectors in Manitoba is illustrated by the province's economic record over the last several years. In the late 1970's, when the previous administration sought to reduce public sector activity drastically, the province's economic performance suffered; statistical indicators revealed that real output growth, investment growth, and other critical measurements were among the lowest in Canada. More recently, however, Manitoba has enjoyed a substantially different situation; with strong support from both the private and the public sectors, investment growth in our province has been among the highest in Canada. At the same time, last month, and on a number of previous occasions, Manitoba has recorded the lowest unemployment rate in the country. Finally, a number of forecasters have indicated that real growth in the province, which has equalled or exceeded the national average in recent years, will continue to do so in 1986. The province's positive labour-management relations record has also played a part in those improved statistics, but of critical importance have been major asset-creating public investments through the Manitoba Jobs Fund, through a variety of federal-provincial initiatives, and now, through the resumption of northern hydro-electric development. The construction of Manitoba's new Limestone Generating Station is the largest single project of its kind now underway across the country.

Time and again, Manitoba has emphasized the importance of federal support for some of these initiatives. The province welcomed the recent decision by the Government of Canada to join with Manitoba in the Limestone Training Agreement, and we also welcomed the signing of the ERDA Tourism Subsidiary Agreement earlier this year, an agreement which had been under negotiation with the previous federal administration for some time. However, Manitoba has been concerned about the negative impact for the province of a variety of recent federal cutbacks -- some implemented and some proposed -- along with failures by certain federal Ministries and agencies to follow through on commitments spelled out in federal-provincial agreements.

The Current State of Federal-Provincial Relations -- A General Assessment

The stated commitment of the new federal government to improve federal-provincial relations contributed to the climate of goodwill which marked the initial months of the new administration and which was clearly evident at the February First Ministers' Conference on the Economy in Regina.

Since February, however, specific provincial concerns have arisen about many of the key issues discussed at the Regina Conference. A substantial number of those concerns are shared by several provinces and regions, as indicated in joint statements issued during the year by Conferences of Western and Atlantic Premiers, and by all ten Premiers at their annual meeting in St. John's, Newfoundland in August. Copies of the Western Premiers' Conference and Annual Premiers' Conference Communiques are appended to this paper.

None of those joint statements questioned the sincerity of the federal government's intention to improve federal-provincial relations. In total, though, the statements revealed that provinces felt the accomplishments since the Regina conference had been fewer than hoped for or expected. Obviously, the Government of Canada could produce a listing of a number of positive developments in federal-provincial relations since September 1984. However, a credible assessment of the current state of federal-provincial relations must also acknowledge the concerns expressed by the provinces, and recognize that some of those concerns have arisen out of frustration that more has not been achieved since the Regina Conference in February -- given the opportunities and the strong climate of goodwill that prevailed in the new federal government's first several months in office.

A particular concern of the Manitoba government -- a concern which seems to be shared by several other provinces -- has been the federal government's approach to the critical area of fiscal relations with the provinces. Fiscal relations are at the heart of federal-provincial relations. As has been demonstrated time and again over the last several decades, unsatisfactory financial relations can undermine and weaken virtually all other relationships between the federal and provincial governments. It is worth recalling that the era

of "cooperative federalism" in the mid 1960's was marked by the introduction of several key sets of innovative federal-provincial financial arrangements, most of which survive, in various forms, to this day.

Unfortunately, on the issue of fiscal relations, sometimes it has seemed to our province as if there has been no change of administration at the federal level. Using arguments and, apparently, tactics strongly reminiscent of those of its predecessor, the new federal government has stated its intention to implement a massive, unilateral cutback in federal transfer payments, including payments for health care and post-secondary education. At their August conference in St. John's, all ten Premiers rejected that approach and emphasized the need for federal-provincial cooperation to improve services and meet growing needs. It has also been argued that the current federal government has been highly selective in the issues upon which it has chosen to consult genuinely with the provinces. Manitoba's view is that consultations on fiscal relations issues -- including the activities of the Nielsen Task Force and their potentially-negative implications for the provinces -- have not been adequate or consistent with the kind of approach necessary to avoid counter-productive confrontations. In fact, all ten Premiers, through the Chairman of this year's Premiers' Conference, have raised serious consultation concerns with the Prime Minister in connection with the activities of the Nielsen Task Force.

Specific Federal-Provincial Relations Concerns -- The Agenda for the Halifax First Ministers' Conference

Following are some of the key areas of concern which Manitoba believes should be reviewed at the Halifax conference. In some cases, these concerns were identified at the Regina conference, but were not dealt with adequately in the ensuing months. In other cases, the concerns have emerged since the time of the Regina meeting.

The Economic and Fiscal Situation

Since the February First Ministers' Conference, Canada's overall economic performance has shown encouraging and welcome signs of improvement in terms of both current statistics and more optimistic forecasts for the coming year and the medium term. However, Canada's most critical economic problem -- unemployment -- remains unacceptably high, and the improvements in job creation which have occurred over the last year have been distributed unevenly across the country.

One of Manitoba's major disappointments in the wake of the February Conference was the new federal government's first formal Budget, presented in May. Subsequently, analysis by independent organizations such as the Conference Board indicated that the Budget would have a signficant, negative impact on unemployment. At the annual Premiers' Conference in St. John's in August, the provinces collectively expressed serious reservations about several of the key policy thrusts outlined in the May Budget:

- planned cutbacks in federal payments to the provinces for health, post-secondary education and equalization;

- apparent rejection by the federal government of the need for national tax reform; and

- the lack of attention to regional development and to recently agreed-upon regional development policy principles.

The Premiers also voiced concern about high interest rates and the need for continuing provincial input in the setting of Canada's monetary policy.

A recurring theme in provincial statements on federal fiscal policy over the last several months has been the concern that the federal government seems determined to attempt to off-load responsibilities and costs onto provincial and local governments and individual Canadians -- sometimes in ways which would be seriously unfair to governments and taxpayers with averge or below-average financial resources. On this subject, the Premiers of British Columbia, Alberta, Saskatchewan and Manitoba joined in issuing the following statement in May of this year:

> "Recognizing that federal and provincial governments serve the same taxpayers, the Western Premiers stressed that the federal government must not shift its deficit to the provinces through reductions in federal transfer payments."

Then, in August, all ten provincial governments agreed that: "Both orders of government serve the same taxpayers and off-loading responsibilities and costs from one order to the other will not help in meeting service needs."

Tax Reform

At the February First Ministers' Conference, the Premier of Manitoba noted, in his opening statement, that:

> "Unfortunately, the confidence of Canadians in the basic fairness of the tax system is being undermined by the range of preferential and special provisions. Worthwhile resources which could be used more effectively are being wasted in more intensive efforts to beat a loophole-ridden tax system, and while a few may avoid taxes, thus leaving working men and women to pay the bills, the resulting deficits are too frequently being used as justification for attacks on public programs and public services."

Then, in mid-May, the four western Premiers joined in a statement on tax reform which emphasized that:

> "... a process of reform should begin at once (and that)
>
> Reform of the tax system would encourage economic growth and provide governments with the scope to:
>
> - distribute the burden of taxation more fairly among taxpayers;
> - reduce taxes for the average taxpayer;
> - reduce marginal tax rates to encourage productive investment; and
> - assist in reducing deficits.
>
> . . .
>
> The Premiers called for an early commitment by the Government of Canada to the process of tax reform."

However, shortly after the Western Premiers issued that statement, the federal Minister of Finance responded, in his Budget: "I have deliberately not launched a process of massive tax reform as a solution to the problem of tax fairness or any other problem. We must not and we will not risk creating the kind of uncertainty and instability that could undermine the effort to get Canadians investing strongly in opportunites that will lead to growth and jobs." Finally, in August, the ten Premiers joined in another statement on tax reform which expressed the provinces' concern about "the need to improve the national tax system by making it fair and less complex. Reform of the tax system would increase economic growth and boost investor confidence and distribute the tax burden fairly among all Canadians."

At the time this paper was being prepared, the federal government had not announced the details of the promised "minimum tax" which is to take effect for the 1986 tax year. Manitoba has expressed the view that a carefully-designed minimum tax can contribute to the equity of the tax system but that it, alone, is not a satisfactory substitute for full-scale national tax reform.

The province has also emphasized that additional revenues which may accrue to provincial governments as a result of the May Budget measures and of the introduction of provincial tax changes to parallel the new federal "minimum tax" provisions are not expected to come close to off-setting the major federal cutbacks in public service support payments to the provinces which were also announced in the Budget.

Manitoba's overall position on tax reform has been presented in detail on a number of occasions. The province will table further material on the subject at the Halifax Conference -- including the results of recent analysis confirming the unfair overall impact for average and lower income Canadians of the federal tax measures introduced in the May Budget.

Fiscal Arrangements

As noted earlier, one of the principal concerns shared by all provincial governments has been the federal government's approach to fiscal relations. At their August Conference in St. John's,

> "The ten provincial Premiers rejected the proposal in the May federal Budget to cut federal support for health and post-secondary education and national equalization by some $2 billion annually by 1990."

The Premiers' communique on Fiscal Relations went on to state:

> "The federal government has an important role to play, through the Established Programs Financing Arrangements, in sustaining health and post-secondary service throughout the country. Federal cutbacks, as proposed in the May Budget, are clearly inconsistent with maintaining present levels of service, let alone meeting projected needs.
>
> The Premiers also recognized the importance of these and other federal transfers as well as direct federal activity to sustaining their shared goal of fair and balanced regional development.

> The National Equalization Program is of fundamental importance to Canadian Confederation. Premiers stressed the urgent need to place equalization on a sound foundation. This is essential to fulfill the constitutionally enshrined objective of the program."

More recently, the Chairman of the Annual Conference of Provincial and Territorial Ministers of Health, the Ontario Health Minister, wrote to his federal counterpart on behalf of all provincial Ministers to advise him of the:

> "... grave concern with which (provincial Ministers) discussed, at our recent annual conference in Toronto, the proposal that was made in the federal Budget to reduce transfer payments in the amount of approximately $2 billion by 1990.
>
> The Ministers were shocked that the federal government would contemplate, much less announce, such a policy in view of the severe pressures for growth facing the health care system.
>
> . . .
>
> The provincial and territorial Ministers have looked forward to a new spirit of consultation with the federal government when you took office. The current proposals to reduce Established Programs financing funding do not provide encouragement for a new face on federal-provincial relations.
>
> . . .
>
> The provincial and territorial Ministers look forward to evidence that the federal government is prepared to support its frequently-stated concerns about the quality and direction of health care in this country by providing greater stability in its share of the funding required. The current approach of the federal government of seeking to withdraw from the financial commitments required to sustain the health care services that are valued so highly by all Canadians is unacceptable to the provinces." *

* Letter from Hon. Murray J. Elston, Ontario Minister of Health, to Hon. Jake Epp, Minister of National Health and Welfare, October 24, 1985.

Manitoba is well aware of the negative effects of such reductions -- our province was hurt most, in relative terms, by the last round of federal Fiscal Arrangements cutbacks in 1982, and we have already felt the effects of cutbacks imposed by the new federal government (a $22 million reduction in equalization payments in 1985/86, coupled with a series of cuts under the federal government's November, 1984 "Economic Statement".) In addition, as suggested earlier, Manitoba and other equalization recipient provinces tend to be more vulnerable to such cutbacks because payments from the federal government account for a substantially higher proportion of our revenues than they do for provinces which are not equalization recipients.

In Manitoba's view, it is naive and misleading to characterize federal-provincial debates about the Fiscal Arrangements as "just squabbles between governments over money." At issue are:

- vital services for Canadians: health care, higher education, and a great many of the other public services that Canadians often take for granted; this is a "people" issue in exactly the same way as was the effort by the federal government to de-index Old Age Security pensions and its decision to go forward with de-indexing of Family Allowance payments

- a serious threat to the goal of "fair and balanced regional development" which all First Ministers endorsed in February; the planned cuts could and probably would hurt the "have not" provinces more than others; those provinces already face the greatest pressure on their budgets and have the least room to maneuver in seeking added tax revenue and investment capital.

As was stated earlier, Manitoba believes that fiscal relations are at the heart of federal-provincial relations; without a positive climate in the financial relations between the federal and provincial governments there is little chance of sustaining overall goodwill and cooperation.

It is understood that federal and provincial Finance Ministers and Treasurers will be meeting again in December to review the economic and fiscal outlook for the coming year and the stated intention of the federal Minister of Finance to begin his planned general cutbacks in payments to the provinces in the 1986/87 fiscal year. Manitoba will provide a further elaboration of its position on the need for improvements -- not cutbacks -- in the Fiscal Arrangements during the discussions of this subject at the Halifax Conference.

Job Creation and Training

At the February First Ministers' Conference in Regina, job creation and training were discussed under a separate agenda heading. At the conclusion of the conference, most provinces joined the federal government in expressing general satisfaction with the outcome of the discussions and with federal-provincial consultations on training and related matters which had taken place in preceding months.

However, by the time the annual Premiers' Conference took place in August, provincial views had changed significantly, as illustrated by the following joint statement issued at the meeting:

> "Premiers expressed a number of very serious concerns with some of the thrusts of the federal government's new (Canada Job) strategy. Specifically, they were unanimous in their worry that:
>
> 1. The due process of consultation with the provinces on the proposed federal programs has not been sufficient;
>
> 2. The total available federal funds have declined;
>
> 3. The proposed federal programs would generate duplication with already existing provincial programs;
>
> 4. The programs would not be sensitive enough to the widely varying needs of the different regions;
>
> 5. The increased emphasis on the private sector would not maintain an appropriate role for educational institutions, particularly for those provinces with a relatively-weak industrial and economic base;
>
> 6. The provincial governments would be excluded from direct sponsorship of projects."

While a separate agenda item covering job creation and training has not been proposed for the Halifax Conference, it is expected that the kinds of concerns identified by the provincial Premiers at their August Conference will be raised by several provinces in Halifax.

In early Fall, along with some other provinces, Manitoba signed a Memorandum of Understanding with the federal Minister of Employment and Immigration concerning consultation and cooperation in the implementation of the Canada Job Strategy. Subsequent to that signing, however, the federal Minister revealed a series of proposals to cut back direct federal support for provincially-financed training institutions such as community colleges. While the proposals have been modified over the past several weeks, they have all been similar in that they would:

- make provincial training institutions a federal cut target starting in 1986/87;

- provide for an increasing series of cuts over the following two or three years -- possibly with a limited, partial, and decreasing "insurance" provision, in a recent proposal, and

- they would apparently provide no clear guarantees for the medium and longer term.

It is understood that the federal and provincial Ministers responsible for training will be meeting again to discuss the federal proposals in early December.

Trade

It is expected that several trade issues -- including the multilateral trade negotiations, Canada-U.S. trade, and interprovincial trade -- will be discussed at the Halifax First Ministers' Conference.

All provinces have continued to emphasize the importance of full provincial participation with the federal government in all stages of preparations for the international negotiations, as well as for the negotiations themselves. Following the Prime Minister's announcement in early Fall of the intention of the Government of Canada to seek to negotiate enhanced trade arrangements with the U.S., federal and provincial Trade Ministers met in early October to review officials' proposals for a framework for ongoing federal-provincial consultation in the trade negotiations. Generally, Manitoba was satisfied with that framework, though the province recognized that its effectiveness would have to be measured in the months which followed by the degree of real involvement provincial governments would have in the negotiating process. While First Ministers are expected to endorse the consultation framework worked out by the Trade Ministers, it is possible that some provinces may raise questions about the fact that a Trade Deputies' meeting scheduled to take place before the Halifax Conference was postponed, and about the fact that provinces were not consulted on the

appointment of the new Special Ambassador for Trade announced by the Prime Minister a few weeks ago, even though the new Special Ambassador is seen as having a key role in the federal-provincial consultation process.

One of Manitoba's principal contributions to federal-provincial discussions of Canada-U.S. trade thus far has been the presentation of two technical reports on the implications of various Canada-U.S. trade options for the national and provincial economies. Those studies indicate that it would not be realistic for Canada to expect large-scale short term economic benefits from "freer" trade with the U.S., and that considerable prudence and caution must be exercised in the negotiations to ensure that Canada achieves even modest benefits.

Up to now, there has been minimal federal-provincial discussion of the specifics of the Canadian negotiating position. Manitoba has emphasized, however, that several key areas of Canadian policy must not be "on the table" for negotiation. These include Canadian agricultural assistance programs, regional development policies, national "social" programs such as Medicare, key components of the service sector, and measure to protect and enhance Canada's unique cultural resources and traditions.

It is expected that detailed background material on Manitoba's position on trade, including the recent technical studies released at the October Trade Ministers' meeting by the Minister of Industry, Trade and Technology, will be circulated at the Halifax Conference.

Agriculture and Fisheries

At the May, 1985 Western Premiers' Conference in Grande Prairie, Alberta, the Premier of Manitoba led off discussions of agricultural issues, and suggested to his colleagues that they join in proposing that Agriculture be placed on the agenda for the next First Ministers' Conference on the Economy in Halifax in November. At the conclusion of the Conference, the Western Premiers issued a joint statement on Agriculture calling on the federal government to take action in four priority areas: interest rates, red meat stabilization, beef import quota levels, and grain stabilization programs.

Then, in August, at the annual Premiers' Conference, all ten provincial governments called on the Government of Canada to join with them in developing a national consensus on policies to deal with the many common problems facing the agricultural and fisheries sectors. Subsequently, the Prime Minister agreed to the Premiers' suggestion that Agriculture and Fisheries should be discussed under a separate agenda item at the Halifax First Ministers' Conference. In preparation for the Halifax meeting, federal and provincial Agriculture officials have been working to develop a consensus

position on challenges facing the agriculture sector and policy principles for dealing with those challenges. While generally supporting the consensus approach, Manitoba has made it clear that most of the key problems facing the agricultural sector are well understood and require early joint action -- not further studies. The province is particularly concerned about the need for action to deal with farm financing and the cost-price squeeze facing agricultural producers. One related issue is transportation costs for western farmers. Another related issue is a proposal to transfer a significant portion of the cost of Crop Insurance from the federal government to the provinces. Crop Insurance is, however, only one example of provincial concerns about possible efforts to off-load traditional federal agricultural responsibilities and costs onto farmers, or provincial governments, or both.

During the past winter, Manitoba and other provinces also expressed concern about federal Department of Agriculture program cuts announced in the November, 1984 Economic Statement. Subsequently, in its May Budget, the federal government announced plans for a further annual expenditure reduction of $50 million a year in Agriculture starting in 1985/86, and extending through at least to 1990-91. It is expected that more detailed material outlining Manitoba's views on national agricultural policy priorities will be tabled at the Halifax meeting.

Economic and Social Development

Traditionally, governments in Canada have tended to deal separately with "economic" policies and "social" policies, for both philisophical and administrative reasons. However, while some separation may be unavoidable -- and continues to varying degrees in virtually all governments, including Manitoba's -- we believe there is a need to recognize the importance of the inter-relationships between the two policy areas. Recently, the Manitoba government has emphasized its view that:

> "Social development and economic development must go hand in hand. Although it is certainly true that we cannot have social development without economic development, the converse is equally true.
>
> . . .
>
> (That is why) countries with a high commitment to social development such as Sweden, Norway, Austria, West Germany, and so forth, have enjoyed strong economic growth and low rates of unemployment ... People are more productive, more innovative, more committed to cooperative change, and generally more useful members of society when they are healthy, well educated and secure.

> In Manitoba, we see the maintenance of quality social services as a vital part of our economic policy, and we commend that principle to others across the country. This principle, too, relates directly to regional development. It is no coincidence that the Canadian Constitution places the public service equalization and regional economic disparities provisions in the same section."

Similarily, Manitoba has emphasized time and again that the major issues of concern to women in this country are economic issues. Though governments may, for various accounting and other reasons, lump child care and income support and supplementation programs such as Family Allowances, Old Age Security, and Child Tax Credits together as "social programs", their economic significance to Canadian women and to the Canadian marketplace is undeniable.

Manitoba will continue to stress the inter-relationship between economic and social policy issues during discussion of the two main sub-items expected to be discussed under this general topic at the Halifax Conference: Women's Economic Equality and Regional Economic Development. On both these issues Manitoba is concerned at the continuing gap between promises and significant action.

Women's Economic Equality

At the February First Ministers' Conference on the Economy, the Prime Minister stated, during his opening remarks that:

> "Judge Abella reminded us yet again in her recent report on equality in employment of the importance of achieving economic equality among women and men as a principle of fairness for our nation. I subscribe to that principle. I hope, therefore, that we will also consider new ways of enhancing the participation of women in the economy throughout our discussions, but perhaps particularly when we focus on labour market issues as we shall later on today."

Following up the Prime Minister's comments, Manitoba put forward, for discussion purposes at the February Conference, a set of draft principles designed to serve as a cooperative framework for implementing policies to ensure economic equality for women.

In June, Manitoba co-hosted a Federal-Provincial-Territorial Conference of Ministers responsible for the Status of Women in Winnipeg. At that time, Manitoba's proposed policy principles, in the form a draft "Women's Equality Accord", were discussed once again and, though not adopted, were referred to officials for further

work. It was also agreed that Ministers would meet in the Fall, to consider them again in preparation for the Halifax First Ministers' Conference. In line with that undertaking, the Ministers responsible for the Status of Women met in mid-October, at which time they discussed acceptance of a somewhat-revised set of principles, to be put forward to First Ministers in the form of a joint resolution.

Overall, Manitoba has been disappointed by the lack of progress achieved on economic issues of concern to women since the Regina Conference. For example, there has been no action to increase federal support for child care, and the Parliamentary Task Force promised in the November 1984 federal Speech from the Throne has not yet been appointed. In addition, a number of key measures in the May 1985 federal Budget appeared likely to have a regressive effect on women. Proposals to de-index Old Age Security and Family Allowance Payments were of particular concern to Manitoba.

Another current concern relates to the provision of adequate training services for women. While the federal government has emphasized that it places a high priority on improved training for women, it has put forward proposals, at the same time, for a signficant cutback in direct support for provincial training institutions, as noted elsewhere in this paper.

Further background on the provincial government's position on women's economic equality will be made available at the Halifax Conference. Manitoba will also raise again its proposal for a National Day Care Act to ensure a fair sharing of the costs of providing adequate, quality child care services across the country.

Regional Economic Development

Regional Economic Development was a separate agenda item at the Regina First Ministers' Conference in February. During those discussions, First Ministers endorsed a set of nine regional economic development policy principles, a number of which had been suggested by Manitoba. Subsequently, those principles were elaborated upon in a document entitled "Regional Economic Development - Intergovernmental Position Paper", which was released jointly by the federal, provincial and territorial governments in June, 1985. The joint position paper was one of the substantive results of a regular series of meetings of responsible Ministers which began in January.

However, by the time of the August Premiers' Conference in St. John's, provinces were sufficiently concerned about follow-up action that the Premiers issued a communique on Regional Economic Development which stated, in part:

> "Premiers expressed concern, however, that the federal Budget and recent federal discussion papers have not given sufficient expression to these principles. Greater attention must be given to the implementation of a regional development policy based on the nine principles, and Premiers will propose that this be the focus of the regional development discussion at the upcoming Halifax First Ministers' Conference."

The Premiers' communique went on to note the ommission of any reference, in the federal government's proposals for a new National Transportation Act, to the agreed-upon principle that "Transportation is recognized as a key to regional economic development."

Manitoba had raised that concern on a number of occasions, and had also noted that the May federal Budget had virtually ignored the priority of regional development. Specifically, the province emphasized that the Budget:

- Contained minimal regional analysis of its impacts, and failed to provide evidence that the measures contained in it were "fair to all regions" as asserted by the federal government;

- Listed key program areas of importance to regional development as areas for large-scale program reductions (Agriculture, Transportation and Industrial Assistance)

- Announced plans for major transfer payment cuts. (In their August communique, the Premiers emphasized "the importance of these and other federal transfers as well as direct federal activity to sustaining their shared goal of fair and balanced regional development.")

Manitoba has also expressed concern about lack of progress in fulfilling at least some federal commitments under the Canada-Manitoba Economic and Regional Development Agreement and related subsidiary agreements. The provincial government has placed specific concerns on the record with respect to the fulfillment of commitments under the Churchill Development Sub-agreement, and also has joined some other provinces in expressing concern about the pace of negotiations surrounding new general industrial development and related agreements.

At the same time, the Manitoba government has emphasized repeatedly that it recognizes and appreciates the efforts that the federal Minister of Regional Industrial Expansion has made to attempt to ensure greater sensitivity in the federal system to regional development issues, along with specific provincial concerns and priorities. Despite those efforts, however, events of the past several months suggest that the federal government as a whole may not yet be prepared to follow one of the key principles to which it is publicly committed -- that is, that:

> "All major national policies should be judged, in part, in terms of their regional impact. And, so far as is possible, those policies should reinforce the goal of fair and balanced regional development."

An emerging concern which may be addressed at the First Ministers' Conference is the impact on regional development of recent energy policy changes and particularly the "deregulation" of natural gas pricing. Manitoba and Ontario have both expressed concerns, as consuming provinces, about the adequacy of consultation with the federal government on this issue thus far.

Provinces are also expected to wish to discuss the potential negative implications for regional development and for individual provinces of some of the questions being reviewed by the Nielsen Task Force. As noted earlier, Manitoba and other provinces have not been satisfied with information made available to provincial governments on the activities of the Task Force, nor with the fact that provinces have not been consulted at the Ministerial level to any significant degree on the general nature and direction of its mandate and activities.

Recommendations for Improving Federal-Provincial Relations: Making the "New Era" Work

Toward the end of its mandate, the former federal government seemed to feel it had only two choices about the role it could play in federal-provincial relations -- either to adopt an aggressive, confrontationist, "go-it-alone" stance, or to serve as a passive delivery agent for provincial policies. At the time, provincial governments endeavoured to convince the federal administration that there were other, more constructive choices, and that the spirit of cooperative federalism could, in fact, be resurrected successfully. The experience of the previous federal government showed clearly that Canada requires a more open and co-operative approach to federal-provincial relations -- an approach based on trust, mutual respect and a commitment to genuine consultation, and that such an approach should be applied to <u>all</u> aspects of relations between the national and provincial administrations -- including fundamentally-important financial issues.

While it is essential that a new, more positive approach be applied at all levels of both the federal and provincial governments, the starting point must be a genuine improvement in consultations among federal and provincial First Ministers. To some extent, that process has begun. The agendas for both the Regina and Halifax First Ministers' conferences, for example, reflect input from all First Ministers, as well as a significant measure of consensus on the priority issues to be addressed. At the same time, the wide-ranging nature of those agenda items, and the concerns which they reveal, demonstrate that the state of federal-provincial relations has deteriorated -- in some cases quite seriously -- since the Regina Conference in February. In Manitoba's view, however, this recent deterioration is not necessarily irreversible. There should be no doubt that all provinces want to cooperate with the federal government to change the direction of federal-provincial relations in a positive way -- to make the "new era" work in the interests of Canadians in all provinces and regions.

In that spirit -- in the interests of placing federal-provincial relations "back on track" -- the Government of Manitoba offers some specific recommendations for consideration during the Halifax Conference. These suggestions are seen as consistent with, and a complement to the procedures specified in the Regina Memorandum of Agreement, the 1985 Western Premiers' Conference communique on Federal-Provincial Cooperation, and other ideas emanating from individual provinces and from the 1985 Premiers' Conference.

The recommendations follow.

1. The federal government should immediately suspend action on any cuts in federal programs affecting the provinces for 1986/87.

2. A process of better consultation should be initiated immediately on key policies and programs now under review. While there have been recent meetings involving Finance Ministers and Training Ministers for example, and while further discussions are scheduled for December, those discussions have been marked, in some cases, by lack of specific proposals from the federal government (Fiscal Arrangements cuts), and in others by the threat of unilateral federal decisions (both Fiscal Arrangements and Training cuts.)

   In this connection, at their August Conference in St. John's, the provincial Premiers issued a communique on federal-provincial fiscal relations containing the following statement:

   > "(Premiers) noted the projected increasing demands on the health care system as the proportion of elderly Canadians continues to

increase in coming decades, and the increased pressure on our post-secondary education system for improved education and increased skills. Federal and provincial governments must work cooperatively and effectively to ensure these needs are met. The federal government has an important role to play, through the Established Programs Financing Arrangements, in sustaining health and post-secondary service throughout the country. Federal cutbacks, as proposed in the May Budget, are clearly inconsistent with maintaining present levels of service, let alone meeting projected needs."

The shared problems summarized by provincial First Ministers in these key areas of public policy illustrates their importance to provinces and to the overall state of federal-provincial relations.

In the present circumstances, we would recommend that First Ministers direct the Ministers responsible for the various concerns identified by the Premiers at St. John's -- particularly those responsible for Fiscal Arrangements and Training negotiations -- to prepare joint reports on the concerns identified in those communiques and on action plans for rectifying them for consideration by First Ministers by the end of the current fiscal year if not sooner. In some cases, considerably faster action may be possible -- as in the case of the Agriculture and Fisheries item. In other cases, earlier deadlines may be required simply to meet the demands of budget planning. In all cases, First Ministers should agree that these problems must be resolved as soon as possible.

Obviously the kind of discussion First Ministers have in Halifax will help set the direction for follow-up meetings. Obviously, too, it is critical for provinces to know more precisely where the federal government stands on these issues.

3. In recognition of the need for direct, "hands-on" involvement by First Ministers in following-up these key issues, it is further recommended that in 1986, at least -- and probably for the foreseeable future -- First Ministers hold at least an informal, private

meeting in the late Winter or early Spring to supplement and complement the more formal annual First Ministers' Conferences provided for under the Regina Memorandum of Agreement.

There was, of course, a brief meeting of First Ministers on the Economy in April of this year, but no subsequent general discussions, except on a bilateral basis, between the Prime Minister and the Premiers. It can be argued that the lack of more frequent First Ministers' discussions at this critical stage in federal-provincial relations may at least partly account for the number of major concerns which provinces have voiced over the last several months about the deterioration in those relations.

Of particular importance is the need for direct and continuing involvement by First Ministers in regional development issues -- and, of course, in trade negotiations.

It is Manitoba's view that these recommendations, in conjunction with development of better joint procedures for First Ministers' Conference preparation and follow-up, would do a great deal to improve the climate of federal-provincial relations.

If accepted, we believe these recommendations would signal the federal government's genuine willingness to cooperate with and work with all provincial governments to meet our shared responsibilities within the Canadian federal system. As noted earlier, we believe it is not enough for governments to have good intentions or to voice positive statements. Ultimately, commitments have to be proven, and it must be demonstrated that major national policies and programs are being applied fairly. This is an essential requirement for issues which go to the heart of the rationale for the Canadian nation -- issues such as the fair sharing, for all regions and all individuals, of the benefits of economic growth and of the burdens of economic adjustment. The November 1984 federal Throne Speech correctly identified these issues as <u>shared</u> concerns and <u>shared</u> responsibilities in Canada. Clearly that also means they require shared solutions, with the federal government providing strong, positive leadership to encourage the kind of cooperative and fair consensus that will help bring them about.

Office of the Prime Minister

CANADA

Cabinet du Premier ministre

Release

Date: October 11, 1985

For release: Immediate

Agenda for the Annual Conference of First Ministers

Prime Minister Brian Mulroney today released the agenda for the Annual Conference of First Ministers to be held in Halifax on November 28-29. The agenda (see attached) has been approved by all First Ministers.

The Halifax Conference will be the first held under the Memorandum of Agreement which First Ministers signed in Regina on February 15, 1984.

ANNUAL CONFERENCE OF FIRST MINISTERS

Halifax, Nova Scotia

November 28-29, 1985

AGENDA

1. Review of the state of federal-provincial relations
2. Overview of the economic and fiscal situation
3. Trade
4. Agriculture and fisheries
5. Economic and social development

DOCUMENT: 800-19/058

FIRST MINISTERS' CONFERENCE ON THE ECONOMY

CONFERENCE DES PREMIERS MINISTRES SUR L'ECONOMIE

MEMORANDUM OF AGREEMENT

Annual Conference
of
First Ministers

REGINA, Saskatchewan
February 14-15, 1985

PROTOCOLE D'ENTENTE

Conférence annuelle
des
premiers ministres

REGINA (Saskatchewan)
Les 14 et 15 février 1985

MEMORANDUM OF AGREEMENT
PROTOCOLE D'ENTENTE

In the pursuit of greater harmony and closer coordination among the federal and provincial governments of Canada, and in order to serve the Canadian public to the best of our abilities, we First Ministers, at a Conference held in Regina, Saskatchewan, hereby commit the governments we represent to the following:

(1) A Conference composed of the Prime Minister of Canada and the First Ministers of the provinces shall be held at least once a year. This Conference shall be known as the "Annual Conference of First Ministers".

(2) At the Annual Conference, First Ministers shall:

(a) review the state of federal-provincial relations;

(b) consult on major issues that concern both orders of government, and in particular the state of the economy;

(c) consider broad objectives for governments in Canada;

(d) exchange information to facilitate planning for the operations of their governments.

(3) In order to meet these broad objectives, the Annual Conference shall be held, where possible, in the last quarter of the year.

Dans le but d'assurer une harmonie plus grande et une coordination plus étroite entre les gouvernements fédéral et provinciaux du Canada et pour servir au mieux les intérêts de la population canadienne, nous Premiers ministres, réunis en conférence à Regina, Saskatchewan, prenons, au nom de nos gouvernements respectifs, les engagements suivants:

(1) Une conférence réunissant le Premier ministre du Canada et les premiers ministres des provinces aura lieu au moins une fois l'an. Cette conférence sera connue sous le nom de "Conférence annuelle des premiers ministres".

(2) À cette conférence annuelle, les premiers ministres :

(a) examineront l'état des relations fédérales-provinciales;

(b) se consulteront sur les grandes questions intéressant les deux ordres de gouvernement et en particulier sur celle de l'économie;

(c) discuteront d'objectifs généraux pour les gouvernements du pays;

(d) échangeront des renseignements pour faciliter la planification des activités de leurs gouvernements.

(3) Pour atteindre ces grands objectifs, la Conférence annuelle aura lieu, dans la mesure du possible, au cours du dernier trimestre de l'année.

(4) The Prime Minister of Canada shall convene and chair the Annual Conference.

(5) The First Ministers shall determine jointly the agenda, dates and location of the Annual Conference.

(6) If First Ministers so decide, the Conference for that year will not be held.

(7) The Prime Minister of Canada may continue to convene other First Ministers' Conferences to discuss particular issues.

(8) This Memorandum of Agreement shall be in effect for a period of five years from the date of signing and shall be renewable thereafter for a similar period.

(4) Le Premier ministre du Canada convoquera et présidera la Conférence annuelle.

(5) Les premiers ministres conviendront ensemble de l'ordre du jour, de la date et du lieu de la Conférence annuelle.

(6) La Conférence sera annulée si les premiers ministres en décident ainsi.

(7) Il continuera d'être loisible au Premier ministre du Canada de convoquer d'autres conférences des premiers ministres portant sur des sujets particuliers.

(8) Ce Protocole d'entente restera en vigueur pour les cinq ans suivant la date de signature et pourra être reconduit pour une période semblable.

Signed at Regina, Saskatchewan,
February 15, 1985

Fait à Regina (Saskatchewan),
le 15 février 1985

Canada

Ontario

British Columbia
Colombie-Britannique

Québec

Prince Edward Island
Île-du-Prince-Édouard

Nova Scotia
Nouvelle-Écosse

Saskatchewan

New Brunswick
Nouveau-Brunswick

Alberta

Manitoba

Newfoundland
Terre-Neuve

St. John's
1985

DOCUMENT: 850-31/023

Communiqué

August 21, 1985

COMMUNIQUÉ

The ten (10) Provincial Premiers at their 26th Annual Conference in St. John's, began their discussions today with a review of the First Ministers' Conference on the Economy held in Regina in February of this year.

All Premiers were in agreement that the Conference had been a success. They noted that the agenda topics were of importance and interest to the general public; and that the open format had allowed for free, constructive and positive discussions. Premiers felt this format, by making everyone in a sense a participant, had helped to restore the confidence of the people of Canada that their leaders were dealing effectively with those issues of vital importance to them.

The First Ministers' agreement to hold a First Ministers' Conference every year for five (5) years, the Premiers feel, is important and essential in making the Federal system work.

Premiers then addressed preparations for the First Annual First Ministers' Conference to be held in Halifax in November 28 and 29, 1985.

As Chairman of the Annual Premiers Conference for 1985, Premier Peckford will act as coordinator for the Provinces in liaising with the Prime Minister on preparations for the Halifax First Ministers' Conference.

It was suggested that the format for the Halifax meeting should be the same as in Regina.

Premiers felt strongly that the primary focus of the discussions at the First Ministers' Conference should be jobs and the economy. They recognized the need to priorize and limit the number of agenda items to a manageable level in order to ensure sufficient time for meaningful discussions.

- 30 -

St. John's
1985

Document: 850-31/028

COMMUNIQUE

ON

REGIONAL ECONOMIC DEVELOPMENT

COMMUNIQUE ON

REGIONAL ECONOMIC DEVELOPMENT

- Premiers noted the achievement of Regional Development Ministers in the formulation of the Intergovernmental Position Paper on Regional Economic Development which incorporated the 9 principles of regional economic development endorsed at the Regina First Ministers' Conference.

- Premiers expressed concern, however, that the federal budget and recent federal discussion papers have not given sufficient expression to these principles. Greater attention must be given to the implementation of a regional development policy based on the 9 principles, and Premiers will propose that this be the focus of the regional development discussion at the upcoming Halifax First Ministers' Conference.

- Further, Premiers adopted as follows a specific resolution with respect to the role of transportation as a regional economic development tool:

"WHEREAS the importance of regional economic development has been agreed upon by all governments, we the Provincial Premiers, call on the Government of Canada to incorporate in the proposed new National Transportation Act, in addition to an objective of commercial viability, the following:

1) Transportation is recognized as a key to regional economic development; and

2) Commercial viability of transportation links must be balanced with regional economic development objectives in order that the potential economic strengths of each region may be realized.

Appendix 1

The Nine Principles Agreed at February FMC in Regina

1. The federal and provincial governments view regional economic development as a high priority among national and provincial economic goals.

2. The overall objective of regional development is to improve employment and income through sustainable economic activity based on realistic opportunities in each region.

3. Initiatives should be developed through consultation and discussion to assist Canadians in the less developed regions to achieve greater economic security based on economic opportunity.

4. Closer federal-provincial co-operation should be achieved by harmonizing all regional economic development efforts.

5. All major national policies should be judged, in part, in terms of their regional impact. And, so far as is possible, those policies should reinforce the goal of fair and balanced regional development.

6. Particular emphasis by governments should be given to improving the investment climate, to removing impediments to growth, and creating opportunities for the private sector to contribute to maximum economic growth in all parts of Canada.

7. Continuing consultation with the private sector should focus on policies in areas such as innovation, exports, marketing, productivity and training with the overall purpose of developing concerted strategies for growth and adjustment.

8. Governments should explore opportunities for increasing interregional trade and eliminating barriers between provinces.

9. Transportation is recognized as a key to regional economic development.

Appendix 2

Communiqué on the Economy

Charlottetown 1984

The ten provincial Premiers at their 25th annual conference in Charlottetown, the Birthplace of Confederation, called for a renewal of the spirit of cooperation on which Canada was built.

They stressed the need for a new and positive federal-provincial approach to economic development in Canada. Such an approach would permit the provinces and regions to build on their strengths and to maximize their contribution to the prosperity and well-being of all Canadians. Along with human resources, these include:

1) agriculture
2) energy
3) financial, personal and business services
4) fisheries
5) forestry
6) manufacturing and processing
7) mining
8) new technology
9) tourism
10) tranportation
11) water

St. John's
1985

DOCUMENT: 850-31/029

Communique

on

Job Development and Training

JOB DEVELOPMENT AND TRAINING

- Premiers stressed that Canada's economic performance and competitiveness are inextricably linked to a well trained and highly skilled labour force.

- They were unanimous in their agreement that:

  1. Genuine consultation should take place between the two orders of government before the federal government launches its new programs;

  2. Federal programs should be sensitive to accommodate regional needs, and to take account of already existing provincial programs;

  3. Greater consultation and coordination between governments and training institutions is needed to increase the responsiveness of these institutions to forces in the market place;

  4. Provincial governments should provide leadership in developing taining programs;

  5. Duplication of federal and provincial programs should be avoided;

  6. The real level of federal financial support must be maintained and enhanced, and provided on a multi-year basis.

- In the light of these principles, Premiers expressed a number of very serious concerns with some of the thrusts of the Federal Government's new strategy. Specifically, they were unanimous in their worry that:

  1. The due process of consultation with the provinces on the proposed federal programs has not been sufficient;

  2. The total available federal funds have declined;

  3. The proposed federal programs would generate duplication with already existing provincial programs;

  4. The programs would not be sensitive enough to the widely varying needs of the different regions;

  5. The increased emphasis on the private sector would not maintain an appropriate role for educational institutions, particularly for those provinces with a relatively weak industrial and economic base;

  6. The provincial governments would be excluded from direct sponsorship of projects;

- Consequently, while they agreed on the importance of an early starting date for the new programs, they asked the federal government to postpone the September 5 deadline until sufficient consultation has taken place.

St. John's
1985

DOCUMENT: 850-31/030

Communiqué

on

Tax Reform

TAX REFORM

- During their discussion on Tax Reform the ten (10) Premiers spoke of the need to improve the national tax system by making it fair and less complex. Reform of the tax system would increase economic growth and boast investor confidence and distribute the tax burden fairly among all Canadians.

- Premiers referred to the minimum tax proposals of the Federal Government and recent reform initiatives contained in a number of provincial budgets. As a result, Premiers recognized the need for consultation among Federal/Provincial Governments in this area. Premiers directed their Finance Ministers to initiate discussions on the minimum tax proposals and other reform measures suggested by the Provinces and to report to the Premiers prior to the First Ministers' Conference in Halifax in November.

DOCUMENT: 850-31/031

Communiqué
on
Monetary Policy

MONETARY POLICY

- The Premiers in their discussion of monetary policy maintained their position established at the Regina First Ministers' Conference that Canada's Monetary Policy should be supportive of investment and economic growth. They noted the more flexible approach following the discussions at Regina.

- The Premiers noted in particular the negative consequence for economic growth of maintaining an artificially high Canadian dollar through high interest rates. The dollar should be allowed to find its market level in response to economic forces.

- In preparation for the First Ministers' Conference in Halifax, Premiers will ask their Finance Ministers to review, in concert with the Federal Finance Minister, the important role of the Bank of Canada; the relationship between the Federal Government and the Bank of Canada; and, the need for continuing Provincial input in setting of Canada's Monetary Policy.

St. John's
1985

DOCUMENT: 850-3I/032

COMMUNIQUE

Agriculture and Fisheries

AGRICULTURE AND FISHERIES

- In recognition of the serious problems affecting two of Canada's largest primary resource sectors, Agriculture and Fisheries, Premiers identified an urgent need for the development of a national consensus for these sectors.

- The similarities of Fisheries and Agriculture - opportunities, problems, and nature, are so striking that common policies and program approaches are feasible and advisable. As in Agriculture, it is important that provinces, as managers of their economies, have a greater jurisdictional presence in the management of the fishery resource.

- Notwithstanding the temporary problems facing Agriculture and Fisheries, these sectors are a part of Canada's strength. In this regard the Premiers place importance on the realization of full potential in both sectors so as to ensure a strong and healthy economy.

- Canada is a major supplier of food. The importance of the upcoming General Agreement on Trade and Tariffs (GATT)

negotiations to both agriculture and fish products is readily apparent given the obvious failure to fully address agricultural and fish issues in previous negotiations. For Canada, agriculture and fish should be priority sectors in the upcoming negotiations. Specifically these should be a comprehensive GATT code for fish, similar to but not a part of the proposed code in agriculture.

- In these areas, Canada has a strong comparative advantage by virtue of its resource endowments. It is critical therefore to stem the rising tide of protectionism which these products face in most export markets.

- In view of the opportunities for Canadian Agriculture and Fisheries it is crucial that Governments take action to enhance the stability and growth of these industries and ensure their long-term competitiveness in world markets. The Premiers therefore endorsed a number of principles which should guide their actions.

PRINCIPLES

- 1. Governments should be capable of responding to natural fluctuations and disasters in these sectors in a more coordinated and timely fashion. Comprehensive

stabilization and disaster relief programs should be developed between the Federal and Provincial Governments and industry to ensure automatic, timely and adequate response.

2. Federal and Provincial Governments should commit themselves to increased efforts on behalf of the agriculture and fishery industries:

   a) Both orders of government should cooperate on the development of an trade strategy to develop Canada's full potential as a major exporter of fish and agricultural products. Emphasis should be placed on developing strategies for new export and domestic market identification and penetration.

   b) Consultation should continue between the Federal and Provincial Governments in preparations for the next multilateral trade negotiation and the upcoming Canada/U.S. trade negotiations.

   c) Federal and Provincial Governments should commit themselves to increased efforts to assist the agriculture and fishery industries in the transition to appropriate new technology and productivity measures.

   d) Emphasis should be placed on developing new financing vehicles to assist both sectors.

St. John's
1985

Document: 850-31/033

COMMUNIQUE

ON

FEDERAL-PROVINCIAL FISCAL RELATIONS

FEDERAL-PROVINCIAL FISCAL RELATIONS

The ten provincial Premiers rejected the proposal in the May Federal Budget to cut federal support for health and post-secondary education and national equalization by some $2 billion annually by 1990. They agreed that attempts to shift the federal deficit on to the backs of the people will not help the Canadian economy. Both orders of government serve the same taxpayers and offloading responsibilities and costs from one order to the other will not help in meeting service needs.

They noted the projected increasing demands on the health care system as the proportion of elderly Canadians continues to increase in coming decades and the increased pressure on our post-secondary education system for improved education and increased skills. Federal and provincial governments must work cooperatively and effectively to ensure these needs are met.

The federal government has an important role to play, through the Established Programs Financing arrangements, in sustaining health and post-secondary service throughout the country. Federal cutbacks, as proposed in the May Budget, are clearly inconsistent with maintaining present levels of service, let alone meeting projected needs.

The Premiers also recognize the importance of these and other federal transfers as well as direct federal activity to sustaining their shared goal of fair and balanced regional development.

The National Equalization Program is of fundamental importance to Canadian Confederation. Premiers stressed the urgent need to place equalization on a sound foundation. This is essential to fulfill the constitutionally enshrined objective of the program.

The Premiers suggested that Finance Ministers should coordinate the federal provincial review of these arrangements. They noted that federal and provincial Finance Ministers will be meeting to discuss the federal cutback threat in September. The Premiers requested their Finance Ministers to report to them on the results of that meeting prior to the Halifax First Ministers' Conference.

WESTERN PREMIERS' CONFERENCE • 1985

COMMUNIQUE #1: INVESTMENT

GRANDE PRAIRIE · ALBERTA
MAY 13 · 14 · 15

INVESTMENT

Canada must encourage investment in order to create new jobs and preserve existing jobs. Canadians have a high rate of savings and it is essential that more of those savings be channelled into equity investment. Currently business in Canada is considered to have too much debt financing in relation to equity.

The Western Premiers believe the time has come for major policy changes to encourage Canadians to direct their savings into equity investment. The Western Premiers believe that such policies should preferably be national in scope rather than varying among provinces. Careful consideration should be given to a Canada Equity Plan which would provide tax credits for productive investment in Canadian public companies subject to conditions of fairness and simplicity.

The Western Premiers reaffirmed their governments' commitment to cooperate more closely in ensuring that the competition for investment among provinces and regions does not result in the misallocation and waste of scarce resources. While recognizing the need to meet intense international competition for investment, the Premiers agreed that it is essential to prevent unproductive "bidding wars" between provinces for major capital investments.

They emphasized that federal regional development policies require a major overhaul and they welcomed the joint federal-provincial review which is now underway. The Premiers agreed that this review must lead to major changes in the federal government's Industrial and Regional Development Program (I.R.D.P.) to ensure far greater sensitivity to the provinces' differing circumstances and priorities.

TAX REFORM

The Western Premiers discussed Canada's tax system and concluded that a process of reform should begin at once. They agreed that tax reform should have as its objective a lower tax burden.

Reform of the tax system would encourage economic growth and provide governments with the scope to:

- distribute the burden of taxation more fairly among taxpayers;
- reduce taxes for the average taxpayer;
- reduce marginal tax rates to encourage productive investment; and
- assist in reducing deficits.

The Premiers expressed concern that the current system of taxation is not serving clear objectives in an efficient manner. In addition, they noted the growing public perception that the tax system is unfair and unnecessarily complex. This is a result, in part, of the introduction of federal ad hoc tax measures, some of which have questionable economic benefit.

The Premiers believe that a number of broad principles should guide tax reform. The tax system must be:

- fair;
- rational;
- simple; and
- supportive of regional strengths.

The Premiers noted the merits of tax measures introduced in recent provincial budgets across western Canada.

The Premiers called for an early commitment by the Government of Canada to the process of tax reform. They directed their Finance Ministers to begin discussions with their provincial and federal colleagues to develop proposals for consideration at the Annual Conference of First Ministers in November.

WESTERN PREMIERS' CONFERENCE • 1985

COMMUNIQUE #2: TAX REFORM

GRANDE PRAIRIE · ALBERTA
MAY 13 · 14 · 15

WESTERN PREMIERS' CONFERENCE • 1985

COMMUNIQUE #3: INTEREST RATES

GRANDE PRAIRIE · ALBERTA
MAY 13 · 14 · 15

INTEREST RATES

The Western Premiers reiterated their grave concern that high real interest rates are inflicting serious damage on the Canadian economy. Western farmers and small businesses are particularly affected.

Interest rates must be reduced as much as possible to preserve existing jobs, encourage equity investment and bolster consumer confidence. They called on the federal government and the Bank of Canada to place a higher priority on lowering interest rates.

The Premiers recalled their discussion of interest rates in Regina at the First Ministers' Conference and called on the federal Minister of Finance to convene an early meeting to explore further the ideas put forward there.

WESTERN PREMIERS' CONFERENCE • 1985

COMMUNIQUE #4: AGRICULTURE

GRANDE PRAIRIE • ALBERTA
MAY 13 • 14 • 15

AGRICULTURE

At the commencement of their discussions on Agriculture, the Western Premiers recalled Prime Minister Mulroney's remarks at the Regina First Ministers' Conference:

> **"I don't know that there is an area of our national economic life where there has been a greater productivity increase over the last 15 years than Canadian agriculture and I don't know of a sector that has received less in return in terms of reward for that individual effort."**

The Premiers called upon the federal government to correct this fundamental inequity by taking action in four priority areas.

Interest Rates

The Western Premiers noted that real interest rates have risen to all time highs over the past three years. This factor alone has had a particularly devastating effect on farm equity and farm indebtedness. As a consequence, the viability of Western Canadian agriculture, particularly the young and beginning farmers, is under severe stress. The Premiers called on the federal government to take steps to ensure that federal economic policy is directed to achieve lower interest rates.

Red Meat Stabilization

The Premiers of Manitoba, Saskatchewan and Alberta expressed strong support for a uniform red meat stabilization program applied across Canada and urged speedy passage of Bill C-25, now at second reading in the House of Commons. They noted that inconsistent support programs in the red meat sector have created distortions in regional and provincial livestock industries and have undermined natural advantages.

The Premier of British Columbia expressed support for a national stabilization plan that is responsive to regional variations. He noted that British Columbia has not completed its review of the potential impacts of Bill C-25 on the province's livestock producers and reserved the right to suggest amendments.

Beef Import Quota Levels

The four western leaders called on the federal government to reconsider its recent decision to allow substantial increases in the volume of subsidized beef imports authorized for 1985, noting that the decision has a negative impact on the Canadian economy and on Canadian jobs. In the view of the Premiers, Canada should not be intimidated by irrational subsidy programs that put surplus European Economic Community beef on the Canadian market.

Grain Stabilization Programs

The Western Premiers underlined the importance of three federal programs which provide an income safety net for western grain farmers: the Western Grain Stabilization Program, Crop Insurance, and the cash advance programs. A review of these programs is needed to ensure that the safety net is both comprehensive and sufficiently flexible to allow producers to choose to participate in those programs which best meet their individual needs for income insurance. The review should also consider the merits of closer integration of these support programs.

They raised concerns that the Western Grain Stabilization Program is inflexible and insensitive. In the Program's current form,

major western crops are aggregated, and payments are made only when income falls below the five year moving average of net cash income for the whole of Western Canada. The Premiers urged the federal government to quickly initiate a review of the Western Grain Stabilization Program with a view to making it more crop, area and producer specific, with payments made on a more timely basis.

Finally, the Premiers strongly suggested that inter-regional inequities between stabilization programs, which now result in farmers paying premiums in Western Canada and not in Eastern Canada, be removed.

WESTERN PREMIERS' CONFERENCE · 1985

COMMUNIQUE #5: TRANSPORTATION

GRANDE PRAIRIE · ALBERTA
MAY 13 · 14 · 15

TRANSPORTATION

The Western Premiers emphasized that job creation and economic development in Western Canada depend upon delivering products to world markets in the most efficient manner possible. Transportation is, therefore, critical to maintaining and improving our competitive position, especially in the key United States and Pacific Rim markets.

National Transportation Act

The four Premiers expressed support for the review of the National Transportation Act being undertaken by the Government of Canada. Transportation has been and should continue to be an instrument of national and regional development policy. For this reason, the user pay approach should be balanced by other considerations to enhance western development. The Premiers expressed concern with the limited scope of the review and the possibility that this could restrict opportunity for Western Canadian views to be fully considered.

Western Grain Transportation Act

The Premiers stated they were pleased that the federal goverment had responded to concerns they expressed last year in Kelowna with regard to grain transportation. Specifically, Premiers were encouraged by recent intentions of the federal government to amend the Western Grain Transportation Act. The Premiers expressed support of the amendments which would remove the 31.5 million tonne volume cap, place a ceiling on freight rates, and move towards making the railways more accountable. They viewed these changes to the Western Grain Transportation Act as a positive signal to grain producers.

The Premiers supported the negotiations now underway between the British Columbia Railway (BCR) and the federal government to include the BCR under the terms of the Western Grain Transportation Act. They urged an early resolution of this issue to benefit the farmers of the Peace River area in both Alberta and British Columbia.

They noted with concern that the capital expenditure intentions of the railways had been reduced significantly. While capacity is sufficient to meet present tonnages, the Premiers stressed that the railways must provide the necessary capacity to meet future growth in volumes.

Ports

The Premiers noted that previous Western Premiers' Conferences had urged the improvement of port facilities in Western Canada. They expressed satisfaction with the May 16 offical opening of the new Prince Rupert grain terminal. This facility will contribute significantly to Western Canada's ability to access Pacific Rim markets.

The Western Premiers reiterated their longstanding support for the Port of Churchill and the federal-provincial plan to modernize and expand the port. They emphasized the need for the federal government and its agencies to do all that is possible to ensure full realization of Churchill's potential.

The Premiers also expressed support for recent federal initiatives giving greater autonomy to local port authorities.

Container Traffic

Concern was expressed by the Premiers that Western Canada was continuing to lose significant container traffic to United States ports. They urged the federal government to bring together all participants, including management and labour, to resolve this very serious problem.

Petrochemical Facility

The Western Premiers noted that the petrochemical industry holds great potential for the upgrading of one of Canada's most important resources. The growth of this industry requires port terminal facilities on the west coast. The Premiers urged the federal government to expedite regulatory approvals to ensure the timely development of these facilities.

Interprovincial Trucking

The Premiers expressed their satisfaction with the progress that has been made towards the reform and streamlining of interprovincial trucking regulations. They stressed the importance of moving forward rapidly with further cooperative regulatory reform efforts.

WESTERN PREMIERS' CONFERENCE • 1985

COMMUNIQUE #6: FEDERAL-PROVINCIAL COOPERATION

GRANDE PRAIRIE · ALBERTA
MAY 13 · 14 · 15

FEDERAL-PROVINCIAL COOPERATION

Western Premiers agreed today that a high degree of prior consultation among the federal and provincial governments is necessary in order to ensure that discussions at the Annual First Ministers' Conference in November are productive. The important role that First Ministers' Conferences play in shaping national policy necessitates thorough pre-conference discussions. To ensure a successful conference, Western Premiers proposed that each government appoint a team of ministers to coordinate preparations.

Recognizing that federal and provincial governments serve the same taxpayers, the Western Premiers stressed that the federal government must not shift its deficit to the provinces through reductions in federal transfer payments.

They reaffirmed that Established Programs Financing is a block-funding arrangement for both health and post-secondary education. They rejected any attempt, as in the "Johnson Report" recently released by the federal government, to focus on artificially defined federal contributions to post-secondary education. The increasing provincial cost of maintaining health services makes this arbitrary separation even less tenable.

The Premiers recognized the need for federal and provincial governments to work cooperatively to ensure the stability, predictability and adequacy of federal contributions to health and post-secondary education programming. The review of Established Programs Financing, including any discussions on post-secondary education and health care, should be coordinated by federal and provincial Treasurers and Ministers of Finance.

The Premiers committed themselves to building upon the spirit of cooperation demonstrated at the February First Ministers' Conference in Regina.

WESTERN PREMIERS' CONFERENCE • 1985

COMMUNIQUE #7: CANADA-UNITED STATES TRADE

GRANDE PRAIRIE · ALBERTA
MAY 13 · 14 · 15

CANADA-UNITED STATES TRADE

The Western Premiers today proposed a comprehensive common market arrangement between Canada and the United States.

A Canada-United States common market would provide secure long-term access to each other's market without barriers, quotas and other restrictions.

The corresponding trade-related job opportunities offered Canadians in the years ahead are exciting. Where jobs are threatened by such a new trading arrangement, provisions for an extensive period of adjustment will have to be made for particular sectors and those adversely affected.

All provinces would fully participate with the federal government in all stages of the negotiations in order to identify the opportunities and problems of a Canada-United States common market before the arrangement is finalized.

The Premiers today recommended this new direction to the Prime Minister of Canada.

WESTERN PREMIERS' CONFERENCE • 1985

COMMUNIQUE #8: MULTILATERAL TRADE NEGOTIATIONS

GRANDE PRAIRIE • ALBERTA
MAY 13 • 14 • 15

MULTILATERAL TRADE NEGOTIATIONS

The Western Premiers today wrote to the Prime Minister requesting full provincial participation at all stages of the next round of multilateral trade negotiations. They reiterated their invitation, extended at the Regina Conference of First Ministers, to host in Western Canada the upcoming ministerial preparatory conference of the General Agreement on Tariffs and Trade (GATT).

As their first contribution to the Canadian preparatory process, the Premiers released a joint position paper, "Western Canadian Trade Objectives for the Next Decade", which outlines their interests, priorities, and concerns related to international trade negotiations.

The paper is a comprehensive follow-up to the 1984 Kelowna communique on international trade and sets out western views on the directions for Canadian trade policy. It identifies the priority sectors and outlines directions which should be pursued by Canada in new multilateral trade negotiations.

The interests identified include securing better access and trade opportunities for agricultural products, processed natural resource products, manufactured goods, and services, particularly in the key markets of the United States and the dynamic and increasingly important Asia Pacific region.

The Premiers noted that the Bonn Economic Summit had set in motion the process for a new round of multilateral trade negotiations. A preparatory meeting of officials from nearly one hundred countries will be held under the auspices of GATT in July, with the prospects of further discussions in 1986. These talks are directed towards a new round of world trade liberalization negotiations, which should be of considerable benefit to business and consumers across Canada.

In recognition of the importance of international trade for economic prosperity, the Western Premiers called for effective federal-provincial cooperation at all stages of the development of Canadian trade policies, strategies and positions for the new multilateral trade negotiations.

The Western Premiers noted the increasingly important role of the provinces in international trade. Negotiations have been broadened to include consideration of many issues which, constitutionally, are either the responsibility of the provinces or are shared with the federal government. These include agricultural support programs, provincial government procurement policies, the management of natural resources, and the regulation of services such as insurance and trucking.

The Premiers reaffirmed their previously stated position that provinces should be represented on Canadian delegations at international trade discussions.

POOR
QUALITY
ORIGINAL